

**Alameda Reuse And
Redevelopment Authority
City Of Alameda, California**



**Component Unit Financial
Statements And Independent
Auditors' Reports**

**For The Fiscal Year
Ended June 30, 2011**

**Alameda Reuse and
Redevelopment
Authority
City of Alameda**
Alameda, California

*Component Unit Basic Financial Statements
and Independent Auditor's Reports*

For the year ended June 30, 2011

Alameda Reuse and Redevelopment Authority of the City of Alameda
Basic Financial Statements
For the year ended June 30, 2011

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Alameda Reuse and Redevelopment Authority Component Unit Financials - Fiscal Year 2010-11



**ALAMEDA REUSE AND REDEVELOPMENT AUTHORITY OF THE CITY OF
ALAMEDA**

MEMBERS AND ADMINISTRATIVE PERSONNEL

JUNE 30, 2011

MEMBERS

Chair	Marie Gilmore
Vice Chair	Robert Bonta
Board Member	Doug deHaan
Board Member	Beverly Johnson
Board Member	Lena Tam

ADMINISTRATIVE PERSONNEL

Executive Director	John A. Russo
Secretary	Irma Glidden



Alameda Reuse and Redevelopment Authority Component Unit Financials - Fiscal Year 2010-11





Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Alameda Reuse and Redevelopment Authority of the City of Alameda
Alameda, California

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Alameda Reuse and Redevelopment Authority of the City of Alameda (Authority), a component unit of the City of Alameda, California (City), as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the basic financial statements, these basic financial statements present only the Authority and are not intended to present fairly the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Authority as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2011 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 34 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Introductory Section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
November 21, 2011



Alameda Reuse and Redevelopment Authority of the City of Alameda

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011

The Alameda Reuse and Redevelopment Authority (ARRA) is required to provide this management overview of its financial activities for the fiscal year ended June 30, 2011. The information presented herein should be considered in conjunction with the Basic Financial Statements for the Authority.

FINANCIAL HIGHLIGHTS

Financial highlights include the following:

- At June 30, 2011, the Authority's net assets totaled \$67.1 million.
- At June 30, 2011, the Authority's total revenues, including program and general revenues, were \$11.9 million, while total expenses were \$13.3 million; transfers out were \$1.1 million.
- Governmental Program Revenues were \$11.1 million in FY10-11.
- Governmental General Revenues were \$.8 million in FY10-11.

OVERVIEW OF BASIC COMPONENT UNIT FINANCIAL STATEMENTS

The Authority's annual financial report is comprised of two parts:

- 1) Management's Discussion and Analysis, and
- 2) The Basic Component Unit Financial Statements, which include the Government-wide and the Fund Financial Statements, as well as the Notes to these financial statements.

The Basic Component Unit Financial Statements

The Basic Component Unit Financial Statements comprise the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different perspectives of the Authority's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of the Authority's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information on the financial position of the Authority as a whole, including all capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information on all Authority revenues and all expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the Authority's programs. The Statement of Activities explains in detail the change in Net Assets for the fiscal year.



Alameda Reuse and Redevelopment Authority of the City of Alameda

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011

The Fund Financial Statements report the Authority's operations in more detail than the government-wide statements, and focus primarily on the short-term activities of the Authority's Governmental Funds. The Fund Financial Statements measure only current revenues, current expenditures and fund balances. These statements exclude capital assets, long-term debt, and other long-term obligations.

Major Funds account for all the financial activities of the Authority and are presented individually.

The Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities present information about the Authority's Governmental Activities. All of the Authority's basic services are considered to be governmental activities, including general government, reuse and redevelopment services. These services are supported by revenues such as lease and rental revenue, capital grants and developer fees.

Government-wide financial statements are prepared on the accrual basis, which measures the flow of all economic resources of the Authority as a whole.

Fund Financial Statements

The Fund Financial Statements provide detailed information on each of the Authority's most significant funds, called Major Funds. Each Major Fund is presented individually. Major Funds present the major activities of the Authority for the year, and may change from year to year as a result of changes in the pattern of the Authority's activities.

Fund Financial Statements Include Only Governmental Funds

Governmental Fund Financial Statements are prepared on the modified accrual basis, which measures only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements. Comparisons of Budget and Actual financial information are presented only for the Authority's Lease Revenue Fund (i.e. its General Fund).

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Authority-wide and fund financial statements. The notes to the financial statements follow the basic financial statements and can be found on pages 23-33 of this report.



**Alameda Reuse and Redevelopment Authority
of the City of Alameda**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

AUTHORITY-WIDE FINANCIAL ACTIVITIES

Net assets may serve, over time, as a useful indicator of a government's financial position. This analysis focuses on the net assets and changes in net assets of the Authority's Governmental Activities.

	<u>2011</u>	<u>2010</u>	<u>Percentage Change</u>
Cash and Investments	\$ 10.08	\$ 10.69	-5.71%
Other Assets	0.03	0.40	-92.50%
Capital Assets	71.65	73.82	-2.94%
Total assets	\$ 81.76	\$ 84.91	-3.71%
Long-term Debt Outstanding	12.00	12.60	-4.76%
Other Liabilities	2.62	2.72	-3.68%
Total Liabilities	\$ 14.62	\$ 15.32	-4.57%
Net Assets			
Invested in Capital Assets, Net of Debt	59.36	73.82	-19.59%
Restricted	0.65	0.84	-22.62%
Unrestricted	7.14	(5.07)	-240.83%
Total net assets	\$ 67.15	\$ 69.59	-3.51%

- Cash and investments consist of monies available to fund ongoing Authority operations, with \$1,923 legally restricted for debt service and redevelopment projects.
- Other assets are accounts receivable.
- Long-term debt consists of \$12.0 2003 ARRA Variable Rate Demand Revenue Bonds to refund the 1999 ARRA Revenue Bonds and provide financing for redevelopment tasks at Alameda Point.
- Other liabilities consist primarily of accounts and deposits payable, the current portion of long term debt of \$300,000 and payroll related accrued liabilities.
- Restricted net assets are legally restricted for debt service reserves and capital projects of the Authority.



**Alameda Reuse and Redevelopment Authority
of the City of Alameda**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

The following table presents the items underlying the changes in net assets:

	<u>2011</u>	<u>2010</u>	<u>Percentage Change</u>
Revenues			
Program revenues			
Capital Grants & Contributions	\$ 0.03	\$ 0.05	-40.00%
Charges for Services	11.13	11.25	-1.07%
Total Program Revenues	<u>11.16</u>	<u>11.30</u>	<u>-1.24%</u>
General revenues			
Use of Money and Property	0.19	0.16	19.38%
Other	0.60	0.94	-36.17%
Total General Revenues	<u>0.79</u>	<u>1.10</u>	<u>-28.09%</u>
Total Revenues	<u>11.95</u>	<u>12.40</u>	<u>-3.62%</u>
Program Expenses			
Alameda Point Administration/Maintenance	2.98	3.42	-12.87%
Residential and Commercial Leasing	10.24	8.28	23.67%
Interest on Long-Term Debt	0.04	0.10	-60.00%
Total Expenses	<u>13.26</u>	<u>11.80</u>	<u>12.37%</u>
Change in Net Assets before Transfers	(1.31)	0.60	-318.17%
Transfers, Net	<u>(1.13)</u>	<u>(4.31)</u>	<u>-73.78%</u>
Change in Net Assets	<u>(2.44)</u>	<u>(3.71)</u>	<u>-34.26%</u>
Beginning Net Assets	69.59	73.30	-5.06%
Ending Net Assets	<u>\$ 67.15</u>	<u>\$ 69.59</u>	<u>-3.50%</u>

The Authority's major revenue source, Charges for Services, consisting of commercial and residential lease revenue, provided \$11.13 million or 93% of revenues in FY10-11. The Authority's primary governmental expenditures for residential and commercial leasing, including property management and maintenance, were \$9.8 million or 74% of expenses in FY10-11.



Alameda Reuse and Redevelopment Authority of the City of Alameda

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011

Financial Analysis of the Authority's Funds

At June 30, 2011, the Authority's governmental funds reported combined fund balances of \$7.8 million. Of this amount, \$.6 million is reserved for capital projects and debt service; \$7.2 million is available to fund ongoing Authority operations. Governmental fund revenues totaled \$11.9 million. Governmental fund expenditures totaled \$11.4 million.

Analysis of Major Governmental Funds

Lease Revenue Fund

Lease Revenue Fund revenue consisted primarily of revenues from commercial and residential leasing totaling \$11.1 million or 93%, and Other Revenue totaling \$.8 million or 7% of total Lease Revenue Fund revenue for the year ended June 30, 2011.

Lease Revenue Fund expenditures consisted primarily of professional and administration services, port management services, leasing and property maintenance totaling \$8.2 million or 74%, building/equipment repair and maintenance totaling \$1.7 million or 15% and other expenses totaling \$1.2 million or 11% for the year ended June 30, 2011.

At June 30, 2011, the fund balance for this fund was approximately \$7.2 million, all of which is restricted for use for future activities for the Authority.

Capital Project Fund

Capital Project Fund revenues consisted solely of interest income totaling \$697 at June 30, 2011. Capital Project Fund expenditures consisted solely of maintenance services totaling \$44 at June 30, 2011. In addition, a transfer out of \$307,645 was made to the City of Alameda to fund capital projects for the project area of the Authority.

At June 30, 2011, the Capital Project Fund balance was \$24,007, which is reserved for future capital improvement projects.

Debt Service Fund

Debt Service Fund revenue consisted solely of interest income of \$9,600 for the year ended June 30, 2011. Debt Service Fund expenditures consisted solely of debt service principal and interest payments on outstanding debt totaling \$0.3 million for the year ended June 30, 2011. The amount of debt outstanding at June 30, 2011 was \$12.3 million.

At June 30, 2011, the Debt Service Fund balance was \$0.6 million.



**Alameda Reuse and Redevelopment Authority
of the City of Alameda**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

CAPITAL ASSETS

At the end of FY10-11, the Authority had \$71.7 million, net of depreciation, invested in a broad range of capital assets.

**Summary of Capital Assets
June 30, 2011 and 2010
(dollars in millions)**

Governmental Activities:	2011	2010	% Change
Buildings	\$ 151.57	\$ 151.26	
Machinery and Equipment	0.42	0.73	
Infrastructure	20.23	20.23	
Less: Accumulated Depreciation	(100.56)	(98.40)	
TOTAL	\$ 71.66	\$ 73.82	-2.9%

Capital assets decreased \$2.16 million due to depreciation retirement. There were no significant construction projects during the fiscal year ended June 30, 2011.

Debt Administration

The Authority's debt issue is discussed in detail in Note 7 to its financial statements. A summary of the debt outstanding for the Authority is shown below.

**Outstanding Debt
As of June 30, 2011 and 2010
(in millions)**

	Governmental Activities		
	2011	2010	Percentage Change
Variable Rate Demand Bonds	\$12.30	\$12.60	-2.4%
Total	\$12.30	\$12.60	-2.4%



**Alameda Reuse and Redevelopment Authority
of the City of Alameda**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The ARRA is currently finalizing the transfer for the 918-acre portion of the former Naval Air Station Alameda (Alameda Point) from the United States Navy to the ARRA, which is expected to occur for significant parts of Alameda Point by the end of 2012. Additionally, the ARRA is finalizing an Exchange Agreement with the State Lands Commission, developing a disposition strategy for the private development of the base, and preparing an Economic Development Strategy for Alameda Point to assist in ARRA's efforts to attract jobs and increase lease revenues.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This Alameda Reuse and Redevelopment Authority Financial Report is intended to provide citizens, taxpayers, investors and creditors with a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the City of Alameda, Finance Division, 2263 Santa Clara Avenue, Room 220, Alameda, California, 94501.



Alameda Reuse and Redevelopment Authority Component Unit Financials - Fiscal Year 2010-11



COMPONENT UNIT BASIC FINANCIAL STATEMENTS



Alameda Reuse and Redevelopment Authority Component Unit Financials - Fiscal Year 2010-11



STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets reports the difference between ARRA's total assets and ARRA's total liabilities, including all of ARRA's capital assets and all of its long-term debt. The Statement of Net Assets summarizes the activities of all of ARRA's financial position in a single column.

The Statement of Activities and Changes in Net Assets reports increases and decreases in ARRA's net assets. It is also prepared on the full accrual basis, which means it includes all of ARRA's revenues and all of its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund Financial Statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and investments	\$ 10,076,392
Restricted cash and investments	1,923
Accounts receivable	27,080
Capital assets, net of accumulated depreciation	71,656,106
Total current assets	<u>81,761,501</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	684,391
Accrued payroll	33,005
Deposits payable	1,550,351
Compensated absences	48,043
Long-term debt - due within one year	300,000
Total current liabilities	<u>2,615,790</u>
Noncurrent liabilities:	
Long-term debt - due in more than one year	12,000,000
Total noncurrent liabilities	<u>12,000,000</u>
Total liabilities	<u>14,615,790</u>
NET ASSETS	
Invested in capital assets, net of related debt	59,356,106
Restricted for:	
Capital projects	24,007
Debt service	625,331
Total restricted net assets	<u>649,338</u>
Unrestricted	7,140,267
Total net assets	<u><u>\$ 67,145,711</u></u>

See accompanying Notes to Basic Financial Statements.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues	Program Revenues	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services			Governmental Activities
Governmental activities:					
Alameda point administration	\$ 2,984,963	\$ -	\$ 25,838		\$ (2,959,125)
Residential leasing	433,836	1,706,972	-		1,273,136
Commercial leasing and maintenance	9,799,674	9,426,000	-		(373,674)
Interest and fiscal agent charges on long-term debt	44,849	-	-		(44,849)
Total governmental activities	\$ 13,263,322	\$ 11,132,972	\$ 25,838		(2,104,512)
 General revenues:					
Investment earnings					191,819
Miscellaneous					590,841
Total general revenues					782,660
 Transfers:					
Transfers to City of Alameda, net					(1,126,672)
Total general revenues and transfers					(344,012)
Change in net assets					(2,448,524)
Net assets - beginning of year					69,594,235
Net assets - end of year					\$ 67,145,711

See accompanying Notes to Basic Financial Statements.



Alameda Reuse and Redevelopment Authority Component Unit Financials - Fiscal Year 2010-11



FUND FINANCIAL STATEMENTS

Alameda Reuse and Redevelopment Authority of the City of Alameda
Balance Sheet
Governmental Funds
June 30, 2011

	Major Governmental Funds			
	Lease Revenue Fund	2003 AP Revenue Bond Project Capital Project Fund	2003 AP Revenue Bonds Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 9,428,977	\$ 24,007	\$ 623,408	\$ 10,076,392
Restricted cash and investments	-	-	1,923	1,923
Accounts receivable	27,080	-	-	27,080
Total assets	\$ 9,456,057	\$ 24,007	\$ 625,331	\$ 10,105,395
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 684,391	\$ -	\$ -	\$ 684,391
Accrued payroll	33,005	-	-	33,005
Deposits payable	1,550,351	-	-	1,550,351
Total liabilities	2,267,747	-	-	2,267,747
Fund Balances:				
Restricted:				
Special Revenue	5,683,310	-	-	5,683,310
Capital Project	-	24,007	-	24,007
Debt Service	-	-	625,331	625,331
Piling Replacement	1,505,000	-	-	1,505,000
Total fund balances	7,188,310	24,007	625,331	7,837,648
Total liabilities and fund balances	\$ 9,456,057	\$ 24,007	\$ 625,331	\$ 10,105,395

See accompanying Notes to Basic Financial Statements.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2011

Total Fund Balances - Total Governmental Funds \$ 7,837,648

Amounts reported for governmental activities in the Statement of Net Assets were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Fund Financial statements. 71,656,106

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Fund Financial statements:

Compensated absences (48,043)

Long-term debt (12,300,000)

Net Assets of Governmental Activities \$ 67,145,711

Alameda Reuse and Redevelopment Authority of the City of Alameda
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2011

	Major Governmental Funds			
	Lease Revenue Fund	2003 AP Revenue Bond Project Capital Project Fund	2003 AP Revenue Bonds Debt Service Fund	Total Governmental Funds
REVENUES:				
Lease revenue	\$ 11,132,972	\$ -	\$ -	\$ 11,132,972
Grants and contributions	25,838	-	-	25,838
Interest	181,522	697	9,600	191,819
Miscellaneous	590,841	-	-	590,841
Total revenues	11,931,173	697	9,600	11,941,470
EXPENDITURES:				
Current:				
Leasing activities	8,174,591	-	-	8,174,591
Housing activities	433,836	-	-	433,836
Facility maintenance	1,625,039	44	-	1,625,083
Grounds maintenance	72,771	-	-	72,771
Sanitary sewer operation	260,786	-	-	260,786
Predevelopment	503,548	-	-	503,548
Debt service:				
Principal	-	-	300,000	300,000
Interest and fiscal agent charges	-	-	44,849	44,849
Total expenditures	11,070,571	44	344,849	11,415,464
REVENUES OVER (UNDER) EXPENDITURES	860,602	653	(335,249)	526,006
OTHER FINANCING SOURCES (USES):				
Transfers in	307,635	-	450,010	757,645
Transfers out	(450,000)	(307,645)	-	(757,645)
Transfers to City of Alameda	(1,126,672)	-	-	(1,126,672)
Total other financing sources (uses)	(1,269,037)	(307,645)	450,010	(1,126,672)
Net change in fund balances	(408,435)	(306,992)	114,761	(600,666)
FUND BALANCES:				
Beginning of year	7,596,745	330,999	510,570	8,438,314
End of year	\$ 7,188,310	\$ 24,007	\$ 625,331	\$ 7,837,648

See accompanying Notes to Basic Financial Statements.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
For the year ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (600,666)

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds. This was the amount of capital assets recorded in the current period. (2,163,916)

Bond proceeds provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets. 300,000

Accrued compensated leave payable was an expenditure in governmental funds, but the accrued payable increased compensated leave liabilities in the Government-Wide Statement of Net Assets. 16,058

Change in Net Assets of Governmental Activities \$ (2,448,524)



Alameda Reuse and Redevelopment Authority Component Unit Financials - Fiscal Year 2010-11



NOTES TO BASIC FINANCIAL STATEMENTS

Alameda Reuse and Redevelopment Authority of the City of Alameda
Notes to Basic Financial Statements
For the year ended June 30, 2011

1. ORGANIZATION AND PROGRAMS

A. Description of the Reporting Entity

The Alameda Reuse and Redevelopment Authority (ARRA) was formed in April 1994 by the City and County of Alameda. The purpose of ARRA is to ensure the effective transition of the Alameda Naval Air Station (NAS) from federal to local ownership. ARRA is responsible for the development of an Interim Reuse Strategy, taking title to base lands, and implementation of the Community Reuse Plan. ARRA is recognized by the Department of Defense as the responsible entity for submitting and completing the Community Reuse Plan for the 1997 decommission of the NAS.

ARRA is governed by a Governing Body which was restructured in January 2000 and is now comprised of members of the City Council of the City of Alameda acting in separate capacity as board members of the Authority. All staff work is performed by the officials and staff of the City, or by consultants. The City Council serves as the Governing Board of the Authority, which is a component unit of the City, and is accounted for in separate funds established by the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of ARRA conform with generally accepted accounting principles applicable to governments. The following is a summary of the significant policies:

A. Basis of Presentation

The ARRA Component Unit Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

These Statements require that the financial statements described below be presented.

Authority-Wide Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall ARRA entity. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the ARRA governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs; (b) grants and contributions that are restricted to meeting the operational needs of a particular program; and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Basis of Presentation, Continued

Fund Financial Statements: The fund financial statements provide information on the ARRA funds. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. ARRA considers all its funds to be major funds.

B. Major Funds

The ARRA reported all its governmental funds as major funds in the accompanying financial statements.

Lease Revenue Fund

Lease Revenue Fund is the general operating fund of the ARRA. It is used to account for all financial resources that are not accounted for in other funds. The major revenue sources for this Fund are leasing activities revenues and grants. Expenditures are made for base reuse activities.

2003 AP Revenue Bond Project Capital Project Fund

This fund accounts for the Alameda Point major construction and improvement projects financed through the 2003 Variable Rate Demand Revenue Bonds.

2003 AP Revenue Bonds Debt Service Fund

The 2003 Variable Rate Demand Revenue Bonds were issued in December 2003 by the Alameda Public Financing Authority to refund the 1999 ARRA Revenue Bonds and to finance professional land use planning and other activities required in the redevelopment process at Alameda Point. The debt will be repaid solely from lease revenues paid to ARRA.

C. Basis of Accounting and Measurement Focus

The authority-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Under this method, revenues are recognized when *measurable* and *available*. ARRA considers all revenues reported in the governmental funds to be available if the revenues are collected within forty-five days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are grants and leases. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash and Investment

ARRA's cash, except cash with fiscal agents, is included in the cash and investments pool of the City of Alameda, the details of which are presented in the City's basic financial statements.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

ARRA and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. Individual investments are generally made by ARRA's fiscal agents as required under its debt issues.

ARRA normally invests only in the California Local Agency Investment Fund pool administered by the State.

ARRA's investments are carried at fair value, as required by generally accepted accounting principles. ARRA adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

E. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to allocate the cost of capital assets equitably among all users during the life of these assets. The amount allocated to depreciation expense each year represents that year's pro-rata share of the cost of capital assets.

Depreciation is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years, and the result is charged to expense each year until the asset is fully depreciated. The ARRA has assigned the useful lives to capital assets as listed below:

Buildings	40 - 80 years
Machinery and Equipment	4 - 40 years
Infrastructure	15 - 75 years

Alameda Reuse and Redevelopment Authority of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Long Term Obligation

ARRA generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the term of the related debt.

G. Net Assets

Net Assets is the excess of all ARRA assets over all liabilities, regardless of fund. Net Assets are divided into three captions, as described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the ARRA's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets, which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which ARRA cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

Unrestricted describes that portion of Net Assets not restricted as to use.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

I. New Pronouncements and Fund Balance

In 2011, ARRA adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board (GASB) Statements:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* – This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. New Pronouncements and Fund Balance, Continued

The Fund Financial Statements consist of Nonspendable, Restricted, Committed, Assigned and Unassigned amounts as described below:

Nonspendable: Items that cannot be spent because they are not in spendable form, such as prepaid items, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan fund.

Restricted: Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed: Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making (normally the governing body) and that remain binding unless removed in the same manner. The Members of the Board of Directors of ARRA are considered the highest authority for ARRA.

Assigned: Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The Members of the Board of Directors of ARRA have the authority to assign funds.

Unassigned: This category is for any balances that have no restrictions placed upon them.

3. CASH AND INVESTMENTS

Cash and cash equivalents include the cash balance of monies deposited with the City of Alameda which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the ARRA's account based upon the ARRA's average daily deposit balance during the allocation period. Cash and cash equivalents are shown at fair value as of June 30, 2011.

Deposits and investments at June 30, 2011:

External investment pool - Cash in City of Alameda Treasury	
Cash on hand	\$ 10,076,932
Cash with Fiscal Agent	1,923
Total ARRA cash and investments	\$ 10,078,855

See the City of Alameda's Comprehensive Annual Financial Report (CAFR) for details of their investment policy and disclosures related to investment credit risk, concentration of credit risk, interest rate risk and custodial credit risk, as required by GASB Statement No. 40.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

4. REVENUES

ARRA collects lease revenues from residential and commercial tenants who occupy space at Alameda Point. A significant source of this revenue is generated from berthing fees received from the U.S. Department of Transportation (MARAD Fleet), whose fees are based on the number of days ships are berthed at Alameda Point. During the normal course of business, revenues generally earned but not available due to lease renegotiation, federal payment systems or other circumstances which the ARRA Board has reviewed. Lease revenues in arrears were \$681,266 at June 30, 2011, of which a significant amount is due from the USS Hornet Museum, due to delays in receiving payments due from the Federal Government. The entire amount was estimated to be uncollectible, thus, there was no receivable related the lease revenue reported as of June 30, 2011.

5. INTERFUND TRANSACTIONS

A. Transfers Between the City and the ARRA

During the fiscal year ended June 30, 2011, ARRA made net cash transfers of \$1,126,672 to reimburse the City for capital expenditures for infrastructure improvements and its pro-rata share of operating expenditures incurred on behalf of ARRA, as determined by the City's approved Cost Allocation Plan.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. CAPITAL ASSETS

A. Capital Asset Activities:

Capital assets at June 30 comprise:

	Balance July 1, 2010	Additions	Deletions/ Adjustments	Balance June 30, 2011
Governmental activities:				
Buildings	\$ 151,257,381	\$ -	\$ 308,760	\$ 151,566,141
Machinery and equipment	730,258	-	(308,760)	421,498
Infrastructure	20,230,527	-	-	20,230,527
Total governmental activities	172,218,166	-	-	172,218,166
Less accumulated depreciation:				
Buildings	(80,152,177)	(1,906,507)	(102,917)	(82,161,601)
Machinery and equipment	(524,415)	-	102,917	(421,498)
Infrastructure	(17,721,552)	(257,409)	-	(17,978,961)
Total accumulated depreciation	(98,398,144)	(2,163,916)	-	(100,562,060)
Total governmental activities, net of accumulated depreciation	\$ 73,820,022	\$ (2,163,916)	\$ -	\$ 71,656,106

Depreciation expense of \$2,163,916 was added to the Alameda Point Administration function expenses on the statement of activities during the year.

7. LONG-TERM DEBT

A. 2003 ARRA Variable Rate Demand Revenue Bonds

On December 1, 2003, the Alameda Public Financing Authority issued Variable Rate Revenue Bonds in the original principal amount of \$13,440,000 at a variable rate of interest determined on a weekly basis. The proceeds from the bonds were used to refund the 1999 ARRA Revenue Bonds which were issued to finance the costs of certain improvements at Alameda Point and to finance professional services for land use planning and other activities required in the redevelopment process at Alameda Point. Repayment of these bonds is from lease revenues paid to ARRA from certain land, buildings, fixtures and equipment. Interest is payable on the first business day of each month at variable rate. The interest rate for FY2011 was .36%.

The pledge of sublease revenues ends upon repayment of the \$12,100,888 in remaining debt service on the Bonds which is scheduled to occur in 2034. As disclosed in the bond indenture documents, pledged future sublease revenues are expected to provide coverage over debt service of 1.5 during the life of the Bonds. For fiscal year 2011, sublease revenues amounted to \$11,132,972 which exceeded debt service of \$341,848 and the coverage requirement.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. LONG-TERM DEBT

A. 2003 ARRA Variable Rate Demand Revenue Bonds, Continued

ARRA's long-term debt issues and transactions were as follows:

	Balance			Balance June 30, 2011	Due within one year	Due more than one year
	July 1, 2010	Additions	Deletions			
2003 Alameda Point Revenue Bond	\$ 12,600,000	\$ -	\$ (300,000)	\$ 12,300,000	\$ 300,000	\$ 12,000,000
Total	\$ 12,600,000	\$ -	\$ (300,000)	\$ 12,300,000	\$ 300,000	\$ 12,000,000

The current year principal retirement is \$300,000. Repayment requirements for the Revenue Bonds were as follows at June 30, 2011:

Year Ending June 30,	Principal	Interest	Total
2012	300,000	102,816	402,816
2013	300,000	100,296	400,296
2014	300,000	97,776	397,776
2015	400,000	-	400,000
2016	400,000	-	400,000
2017-2021	2,000,000	-	2,000,000
2022-2026	2,900,000	-	2,900,000
2027-2031	3,300,000	-	3,300,000
2032-2034	2,400,000	-	2,400,000
Total	\$ 12,300,000	\$ 300,888	\$ 12,600,888

B. Compensated Absences

ARRA recognizes the vested vacation and compensatory time as an expenditure in the current year to the extent it is paid during the year. Accrued vacation and compensatory time is included in the current liabilities and are payable from future resources. At June 30, 2011, the outstanding compensated absences balance was \$48,043.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

8. COMMITMENT AND CONTIGENCIES

The Authority participates in various Federal and State grant programs. These programs have been audited by the Authority's independent auditors in accordance with the provisions of the Federal Single Audit Act amendments of 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Authority expects such amounts, if any, to be immaterial.

The Authority is subject to litigation in the normal course of business. In the opinion of the Authority's General Counsel, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Authority.

REQUIRED SUPPLEMENTARY INFORMATION

Alameda Reuse and Redevelopment Authority of the City of Alameda
Required Supplementary Information
For the year ended June 30, 2011

1. BUDGETS AND BUDGETARY ACCOUNTING

The Authority adopts a budget annually for its Lease Revenue Fund. This budget is effective July 1st for the ensuing fiscal year. From the effective date of the budget, which is adopted by the Authority's Board, and controlled at the division level, the amounts stated therein as proposed expenditures become appropriations to each division of the Authority.

The Authority may amend the budget during the fiscal year. The Executive Director or designee is authorized to transfer budgeted amounts between divisions and between line items within any fund. However, any revisions which alter the total expenditures of any fund must be approved by the Board (City Council). Transfers between funds must be approved by the City Council. All appropriations lapse at year end. Supplemental changes in appropriations were adopted by the Board and have been included in the budget versus actual statements. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances outstanding at year end lapse and must be reappropriated as part of the following fiscal year's budget.

The Authority has elected to present all of its funds as major funds.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis) - Lease Revenue Funds
For the year ended June 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Lease revenue	11,650,000	11,650,000	11,132,972	(517,028)
Grants and contributions	-	-	25,838	25,838
Interest	153,140	153,140	181,522	28,382
Other	340,640	340,640	590,841	250,201
Total revenues	12,143,780	12,143,780	11,931,173	(212,607)
EXPENDITURES:				
Current:				
Leasing activities	11,158,659	11,158,659	8,174,591	2,984,068
Housing activities	430,000	430,000	433,836	(3,836)
Facility maintenance	2,840,465	2,840,465	1,625,039	1,215,426
Grounds maintenance	139,025	139,025	72,771	66,254
Sanitary sewer operation	508,280	508,280	260,786	247,494
Predevelopment	762,640	762,640	503,548	259,092
Total expenditures	15,839,069	15,839,069	11,070,571	4,768,498
REVENUES OVER (UNDER) EXPENDITURES	(3,695,289)	(3,695,289)	860,602	(4,555,891)
OTHER FINANCING SOURCES (USES):				
Transfers in	3,000	310,635	307,635	(3,000)
Transfers out	-	-	(450,000)	(450,000)
Transfers to the City of Alameda	(1,566,040)	(1,661,218)	(1,126,672)	534,546
Total other financing sources (uses)	(1,563,040)	(1,350,583)	(1,269,037)	81,546
Net change in fund balance	\$ (5,258,329)	\$ (5,045,872)	(408,435)	\$ 4,637,437
FUND BALANCE:				
Beginning of year			7,596,745	
End of year			<u>\$ 7,188,310</u>	

See accompanying Notes to Basic Financial Statements.



Alameda Reuse and Redevelopment Authority Component Unit Financials - Fiscal Year 2010-11





Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
of the Alameda Reuse and Redevelopment Authority of the City of Alameda
Alameda, California

We have audited the financial statements of the Alameda Reuse and Redevelopment Authority (Authority), a component unit of City of Alameda, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 21, 2011. We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting control that we consider to be material weaknesses, as defined above.

To the Board of Directors

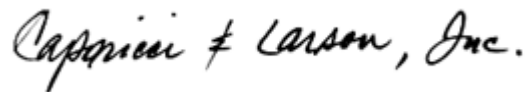
of the Alameda Reuse and Redevelopment Authority of the City of Alameda
Alameda, California

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of Authority management, the Members of the Board of Directors, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
November 21, 2011